

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

July 13, 2010

In May of this year, the Los Angeles County Board of Supervisors formally established the Los Angeles County Energy Program (LACEP). This program is designed to facilitate — and help finance — private residential and commercial property improvements that will increase a building’s energy efficiency, reduce its water use and/or generate renewable energy, for example by installing rooftop solar panels. This program takes advantage of state legislation (Assembly Bill 811) that allows an interested property owner to finance energy efficiency improvements through an assessment contract with the County, which is in turn secured by a priority lien that is placed against the property. This program was designed to create over 3,000 jobs, reduce private energy costs by \$4 million per year, and reduce annual greenhouse gas emissions by 40,000 tons.

Unfortunately, on July 6, 2010 the Federal Housing Finance Agency (FHFA) released a statement that formally conveyed the opposition of that agency, as well as that of Fannie Mae and Freddie Mac, to any program of this type that would place priority liens over existing mortgages that are held by those federally supported entities. The priority status of these liens is a central component of the legal authority conveyed

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to LA County by AB 811 and it is therefore also a key component of the LA County Energy Program.

As a result of the broad reach of Freddie Mac and Fannie Mae, those agencies' opposition to AB 811-style programs presents a serious nationwide obstacle to this new and innovative energy efficiency effort. It is disappointing that this opposition comes despite broad support from other Departments within the federal government — including stated support and generous funding of these efforts by the United States Department of Energy — and despite the adoption of programs across the country that are very similar in design to the LA County Energy Program. In the wake of the FHFA statement, the DOE has also warned that it may not allow federal stimulus funds to be used in furtherance of this type of loan program.

As an immediate step, the County of Los Angeles and its local government partners should join the chorus of Congressional and environmental leaders who are calling on the Administration in Washington to find reasonable solutions that would allow these important funding programs to move forward. The County should also seek federal legislation to accomplish this task if administrative action is not able to resolve this impasse. Second, the County should promptly take all prudent steps to curtail, and where feasible, halt the use of Energy Efficiency and Conservation Block Grant funds on this loan initiative until the uncertainties regarding federal funding for these programs has been resolved. Third, County staff must work with our partners in Washington, in local government, and in the environmental and business communities to find alternative means of encouraging home and business retrofits to achieve the economic and environmental goals that AB 811 loans are designed to accomplish if AB 811 loans

ultimately cannot be used.

While these steps are prudent and are warranted as an exercise of fiscal caution, the County Office of Sustainability has wisely looked at AB 811 loans as only one component of its effort to promote whole house retrofits. Therefore, this setback should not be seen as the end of the LA County Energy Program nor should the current stalemate in Washington be seen as an insurmountable obstacle given the widespread support that these programs enjoy in states across the Country.

I, THEREFORE, MOVE that the Board of Supervisors instruct the CEO, in cooperation with the Director of Internal Services and the County Office of Sustainability, to 1) take all prudent steps to curtail, and where feasible, halt the use of Energy Efficiency and Conservation Block Grant funds on its AB 811 loan program until the uncertainties regarding federal funding for these programs has been resolved; 2) Report back to the Board of Supervisors in two weeks with initial recommendations regarding alternative means of encouraging home and business retrofits that would achieve the original goals of the LA County Energy Program if the impasse in Washington cannot be promptly resolved; and to report back to the Board of Supervisors on a monthly basis thereafter until this dispute is resolved; and, 3) Work with our partners in Washington D.C. to craft legislation and/or find other administrative solutions that would resolve the FHFA, Freddie Mac, and Fannie Mae's current opposition to AB 811-style loans.

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